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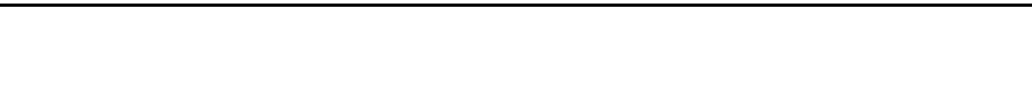
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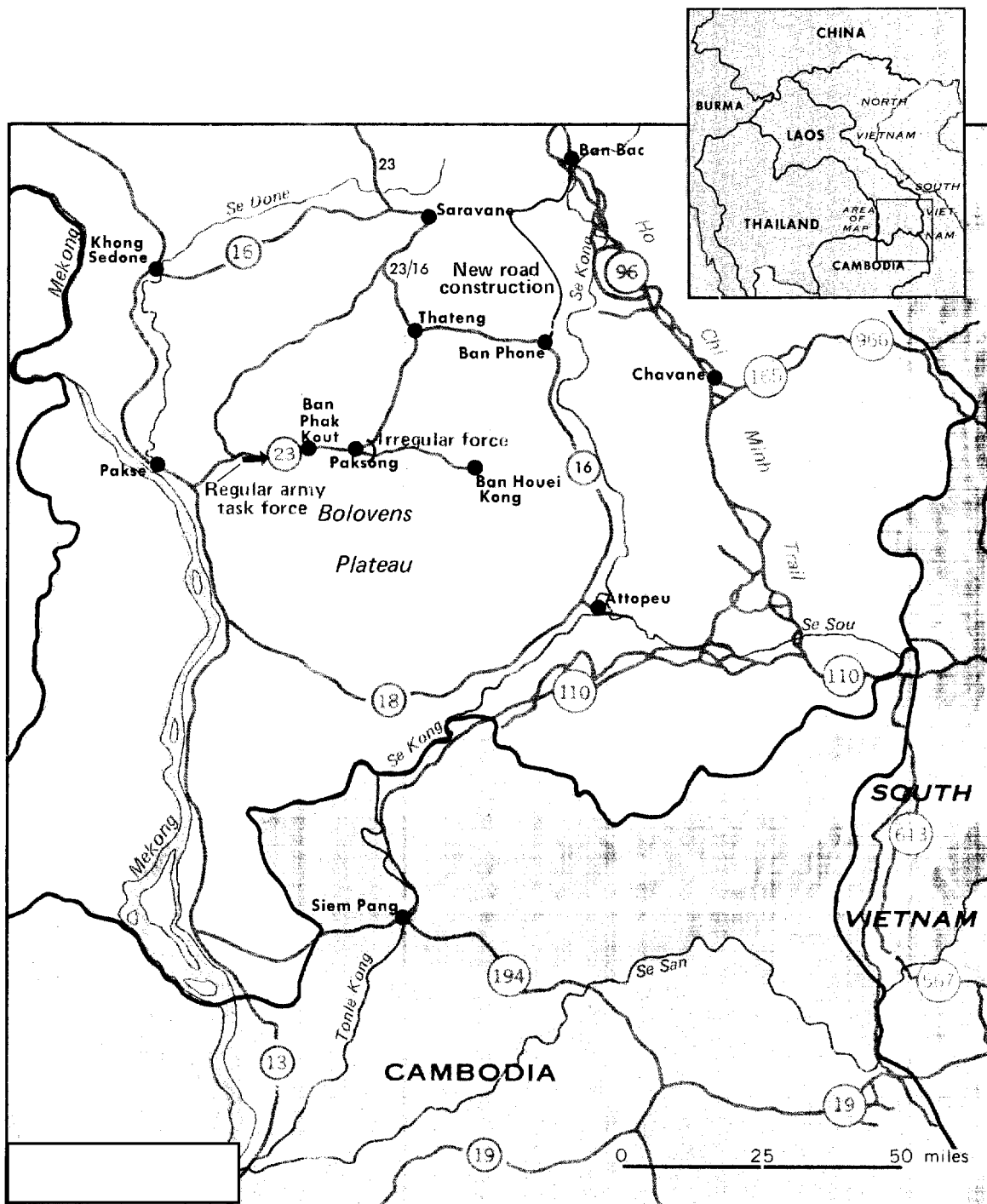
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LAOS: [A multibattalion government operation launched on 9 June to retake key portions of the western Bolovens Plateau has encountered serious problems.]

On Wednesday the lead elements of a regular army task force moved eastward along Route 23 toward their first objective, Ban Phak Kout. Their progress was stopped, however, when two key battalion commanders were killed--one by a short round from his supporting artillery. [Government forces again tried to move toward Ban Phak Kout on 10 June, but were hit hard by a North Vietnamese shelling attack followed by a ground assault reportedly led by two tanks. The Lao Army units were dispersed, and are still trying to regroup around their command post on Route 23.] Bad weather so far has limited air support. Several battalions of irregulars, many of which are already in position northeast, east, and southeast of Paksong, will support the operation if it achieves its initial goals and moves on toward Paksong.

Enemy resistance to this operation is likely to continue to be stiff. The Communists are dug in at many points along Route 23 and hold most of the key high ground positions. Moreover, the North Vietnamese have given every indication that they intend to hold the Bolovens, at least in part to protect their infiltration corridors into Cambodia and South Vietnam. They have continued to push supplies and personnel southward despite the onset of the rainy season. There is some evidence suggesting that--probably during the next dry season--they plan to increase the use of the western infiltration corridor--Routes 23/16. Recent aerial photography indicates that they have begun improvements on the long-unused section of Route 16 between Ban Phone and Attopeu and are building a new road to link the staging areas at Ban Bac with Route 16.

In northern Laos, elements of Vang Pao's irregular task forces operating on the southern and

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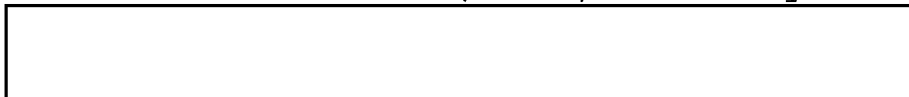
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western edges of the Plaine des Jarres have met little enemy resistance. They have discovered several enemy supply caches and claim to have destroyed or captured some mortars and recoilless rifles and substantial amounts of ammunition, food, and sundry supplies.



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*VIETNAM: A recently available Communist article points toward heavier fighting in the year ahead.

The article, published in the January-February issue of an authoritative party journal, Tuyen Huan, sheds more light on two fundamental features of Hanoi's current military line: the relative priority to be attached to prosecuting the war and to developing the home front in North Vietnam; and the kinds of military tactics that now are suitable for Communist forces, especially in South Vietnam.

Discussion and policy decisions about both issues have surfaced periodically during the past decade. This article uses familiar formulations, however, that point in only one direction: it says categorically that the war is North Vietnam's first order of business and makes no attempt to argue that some balance should be struck in the allocation of resources and energies to the home front and the war.

In one remarkably candid passage that reflects stepped up manpower mobilization now under way in the North, the article says: "As the great rear area of the three theaters (Vietnam, Laos, and Cambodia), North Vietnam has the primary duty at the present time to seek to mobilize manpower and materials in order to meet fully and promptly all of the requirements of the front line...irrespective of the situation...."

Similarly, military tactics are addressed in terms the Vietnamese Communists often have used when they discuss and debate the relative merits of a long, drawn-out struggle as against intense, large-scale fighting. The article calls for heavier doses of large-scale fighting involving conventional forces. It acknowledges that so-called protracted war is basic Communist strategy, but it points out that "protracted fighting is not protracted guerrilla fighting." The article calls for "sudden

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leap-like developments" aimed at quickly changing the balance of forces and cites Communist offensives during Tet 1968 and the spring of 1965 as examples. To make certain that the examples are applicable to today's war, the article asserts "the total defeat of 'Vietnamization'...also involves large leaps to change the balance of forces to the point where the enemy will not be able to continue the war."

These ideas probably were formalized as policy at the party central committee's 19th plenary session held around the turn of the year. Their appearance in a party study journal indicates they are part of the present Communist line. More than any evidence now available, the article indicates that Hanoi means to raise the level of fighting in Indochina in the year ahead, and that it is prepared to put the troops and supplies into the war that it needs to do so. Indeed, mobilization in the North and recent events in the infiltration corridors suggest Hanoi has started to lay the groundwork for this kind of effort.



**The Director, Defense Intelligence Agency, does not agree with the analysis that the article appearing in Tuyen Huan necessarily points to heavier fighting. It is in essence an exhortation to propagandists. As is the case in many North Vietnamese journals, its meaning is ambiguous. The same article can be utilized to support the contention that the Communists intend to continue their strategy of protracted warfare. The enemy's most probable course of action through the balance of 1971 will be to pursue the strategy of protracted warfare with some increase in military action in northern Military Region 1 and western Military Region 2.*

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JAPAN: Tokyo last year moved closer to fulfilling its pledge to devote one percent of its gross national product (GNP) for aid to developing countries.

According to figures recently released by the Ministry of Finance, outlays increased 44 percent to reach \$1.8 billion. This represents .93 percent of GNP. Under the Japanese concept of aid, however, export credits and private capital flows are included as well as conventional foreign aid. The latter rose only five percent and accounted for only one fourth of the total outlay; grants did not increase at all. The remaining capital movements, aimed principally at promoting Japanese exports, increased 66 percent and included loans totaling \$200 million to the World Bank.

Although Tokyo has responded positively to international pressure for an increase in aid, demand for a qualitative improvement is likely to intensify, mainly because of the continued preponderance of commercially oriented capital flows. Moreover, Japan has been criticized because the terms of its conventional aid are still relatively harder than those of other major aid-giving countries, and the grant portion is relatively smaller. Tokyo has promised to increase efforts to ease aid terms and raise the level of grants, but progress in the near future is likely to be gradual and moderate.

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JAPAN - COMMUNIST CHINA: The ruling conservative party and the Buddhist-based Komeito have both received invitations to visit Peking later this month.

The invitations, announced yesterday, will give both parties a major political boost as the Upper House elections on 27 June draw closer. The ruling Liberal Democratic Party (LDP) will send a 14-man delegation, composed of younger Diet representatives from all major factions of the party. It will be the largest group of Dietmen ever to visit China.

The long-sought invitation to Komeito (Clean Government Party), the political arm of the militant Soka Gakkai Buddhist sect, represents a major achievement for the party in establishing a progressive, statesmanlike image in the Japanese political world. Apparently to secure the invitation, Komeito recently clarified its position on the Taiwan issue by calling for the abrogation of the peace treaty with the Republic of China and the conclusion of a peace treaty with Peking.

Peking clearly is trying to broaden contacts in Japanese political circles, which have been largely confined to the Socialist Party and the left wing of the ruling LDP. The invitations almost certainly stemmed from discussions held by leaders of the Chinese table tennis delegation with Komeito and LDP officials earlier this spring.



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PHILIPPINES: The proceedings to date of the recently convened constitutional convention are discouraging to the many Filipinos who had looked on it as a promising vehicle for reform of the Philippine political process. The decision to conduct today's vote for convention officers by secret ballot has been bitterly attacked on grounds that the electorate is entitled to know how its delegates vote.

The secrecy is undoubtedly a smoke screen for the immense amount of vote buying and chicanery that has been going on in the ostensibly nonpartisan assemblage. As one delegate put it, "Spirits will be low but pockets full" after the voting. Former president Garcia, a pliable individual who can easily be manipulated from the presidential palace, appears to be in the lead for the convention presidency. The Marcoses, who have been busily buying up delegates, have made an unconvincing effort to appear uninvolved by arranging to be out of town on the day of the convention vote.

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EGYPT: President Sadat's speech to the nation yesterday re-emphasized the firm line he has been taking toward a Middle East peace settlement.

Sadat again stressed that Egypt's basic terms are the withdrawal of Israeli forces from all occupied Arab territories and the restoration of the rights of the Palestinian people. Indicting the US as "Israel's partner in aggression," he implicitly laid the blame for the continued impasse in the peace negotiations on Washington's economic and military support of Tel Aviv. In sharp contrast to his commentary on the US, the President expressed his appreciation for Soviet military aid and characterized Cairo's relationship with Moscow as a "permanent friendship."

In speaking of current internal developments, Sadat sought to cloak his own domestic policies with a measure of legitimacy. By choosing 10 June, the anniversary of a national show of solidarity for Nasir in 1967, and by often referring to the actions of his predecessor in discussing his own decisions, Sadat implied that he was merely continuing the policies of the late president. Sadat also noted that he owed his recent success in purging the government of his opponents to the support of the Egyptian masses. He recalled this support was responsible for all of Nasir's successes, beginning with the revolution of July 1952.

In a major foreign policy speech to the Knesset on 9 June, Prime Minister Golda Meir had said that the prospects for achieving an interim agreement on the reopening of the Suez Canal have suffered as a result of the Soviet-Egyptian treaty and Sadat's recent pronouncements. The Israelis will almost certainly interpret yesterday's speech by Sadat as additional evidence of a hardening of the Egyptian line and as another argument for the supply of additional US military aid to Israel.

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BRAZIL: The Medici government is upset over what it believes to be a deliberate attempt by the US Congress to link Brazil's enforcement of its fishing restrictions to the continued participation of the US in the International Coffee Agreement.

The government claims that any official US attempt to link the coffee legislation with the territorial seas issue would constitute "intolerable economic pressure" over a matter affecting Brazil's sovereignty. Foreign Minister Gibson privately told the US ambassador that he hoped the issue would not become serious, but that local public opinion forced him to set forth clearly his government's position. He said that if the coffee agreement was not approved, the recent successful completion of negotiations between the two countries over the soluble (instant) coffee would be in serious jeopardy.

The Brazilian Government continues to maintain that while it desires to reach an agreement with other countries to permit their boats to continue to operate in specified areas of the 200-mile zone, it cannot retreat at all on the validity of the claim itself. Within the past few days Brazilian naval ships have warned foreign fishing boats several times to leave the 200-mile zone, and thus far they have complied.

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CUBA-US: Havana's decision to try the crews of two privately owned US boats is a face-saving device in response to the sentences given Wednesday to the four Cuban fishermen tried by the US.

The four Cubans were arrested on 26 May for fishing within 12 miles of Dry Tortugas. Before the trial began on 8 June, the Cuban Government initiated a massive domestic propaganda campaign, which is still in progress. On Wednesday the fishermen were sentenced to six months in jail and fined \$10,000 each. This is considerably more severe than past sentences in similar cases. Castro thus found himself obliged to make a strong response or suffer an apparent defeat in the eyes of the Cuban people.

Immediately after reporting the sentencing of the fishermen, Havana's domestic radio announced that the Cuban Government would try the five crew members of the two US boats that had "violated Cuban territorial waters." The broadcast also stated that the case of a US tug, which drifted into Cuban waters on 8 June, would be "carefully investigated by Cuban authorities." The announcement of the seizure of the boats on domestic rather than international radio is probably designed to permit Castro greater flexibility. The Cubans may be satisfied to pay the fines of their fishermen, then place similar fines on the Americans and announce to the Cuban people that they have "forced" the US to return their fishermen.



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ITALY: The outcome of this weekend's off-year elections will provide some insight into the prospects of the present center-left coalition.

Only about one fourth of the electorate will be involved in the contests for the regional assembly of Sicily, the provincial councils of Rome and of Foggia to the east, and 158 municipal councils. Nevertheless, the elections will have countrywide significance because much of the campaigning is on national issues and national political figures are leading a number of the party tickets in Rome.

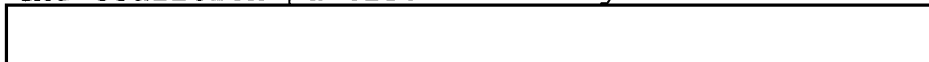
The Christian Democrats are on the defensive in the campaigns, particularly in Sicily, in Rome, and to the north in Genoa. In these areas, they face voter reaction against poor administration, unsatisfactory economic conditions, and several recent spectacular crimes. They are, however, maintaining their usual electoral unity and are warning against the extremists of both left and right. Both the Socialists and the Social Democrats are emphasizing the need for social and economic reforms, but the latter are strongly opposed to legislative cooperation with the Communists for this purpose.

The neo-Fascists are putting on an aggressive, well-financed campaign. They are appealing to fear of a leftward drift and to growing popular nostalgia for a more ordered society. Their small party is expected to improve its position.



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New tensions will undoubtedly develop in the national coalition after the elections but there would have to be a pronounced trend for or against one of the coalition parties for the government to fall.



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ICELAND: The 12-year record of the present coalition will go on trial Sunday when Icelanders elect a new Parliament.

The principal issue in the election is the government's handling of the economy. Over the past decade Iceland has been afflicted with rapid inflation, and the government has frequently resorted to devaluation of the krona rather than more stringent steps. At the same time the nation's major source of income, its fisheries, has lost its principal resource, herring, forcing it to readjust its processing and marketing to turn a profit from other varieties of fish.

Reykjavik has moved on two fronts to cope with its economic problems, but in each area the opposition has criticized both the pace and direction of these efforts. The government proposed that Parliament draw up legislation that would eventually move Iceland's fishing limit from the present 12 to 50 miles. The opposition countered with its own draft calling for a declaration establishing a 50-mile fisheries limit and a 100-mile pollution limit effective 1 September 1972.

The decision to bring Iceland into the European Free Trade Association (EFTA) and attempts to encourage foreign-financed industry have been attacked as promoting an alien economic take-over as well as pollution. Other foreign policy issues, including Iceland's membership in NATO and the long-term presence of American forces on Icelandic soil, have been all but ignored in the campaign.

The outcome of the election is clouded by numerous internal disputes within all of the political parties. The two parties in the coalition--the conservative Independence Party and the Social Democrats--now have a two-seat majority in Parliament, and if they lose only one of them, they will

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have to seek an additional partner. However, the most logical candidate, the splinter Liberal Left Party, is so badly divided that it may not get any seats at all. There is thus some sentiment in the Independence Party to break with the Social Democrats and form an all-bourgeois coalition with the agrarian-based Progressive Party.

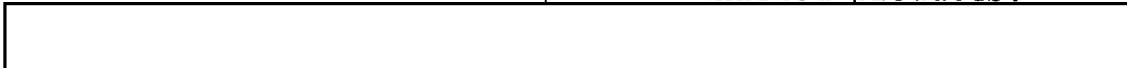


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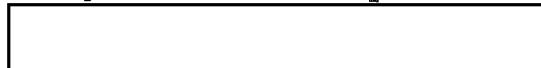
COMMUNIST CHINA: Peking's determination to continue the rapid expansion of domestic steel output this year is reflected in a marked increase of pig iron imports. Although China formally has been a net exporter of pig iron, thus far in 1971 it has contracted with Algeria, Australia, Japan, and other countries for about 500,000 metric tons. China's need to import pig iron stems partly from an apparent lag in bringing new blast furnace capacity to full operating strength. Furthermore, the emphasis now being placed on the development of iron ore resources and on the vigorous collection of scrap indicates that domestic production of iron ore is not keeping up with the sharply rising demand. The problem of raw materials is not confined to the steel industry; campaigns also are being waged in light industry and other sectors to maintain a balance between raw materials and output of finished products.



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SOUTH KOREA: The reshuffle in leadership of the ruling Democratic Republican Party (DRP) announced on 9 June keeps management of the party machinery in the hands of opponents of newly appointed Prime Minister Kim Chong-pil. The changes reflect a careful balancing of factions by President Pak to keep the ambitious Kim politically dependent on the President. They also confirm the ascendancy in the DRP of the group most likely to deal flexibly with the increased opposition strength in the newly elected National Assembly.



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JAPAN: Tokyo's long-standing goal of increasing its oil exploration and development activities abroad has suffered a setback in Indonesia. Two Japanese exploration firms have shut down operations, the last one just recently, after four years of unsuccessful attempts to find commercially exploitable deposits. In addition, there reportedly is some indication that Indonesia's state oil company might not renew its contract to exchange oil for Japanese technical assistance beyond next year's expiration date, thus temporarily eliminating any direct Japanese participation in Indonesia's oil industry.

[REDACTED]

AUSTRALIA: According to a Reuters report, the Australian Meat Board, claiming a US longshoremen's strike is expected later this year, is easing its export controls on beef and mutton shipments to the US. The move will enable Australia to ship the maximum volume of meat allowed under the voluntary restraint program before any disruptions in trade might occur. Australia receives nearly 50 percent of US meat import allocations and in fiscal 1970 sold 77 percent of its beef exports and 27 percent of its lamb and mutton exports to the US.

[REDACTED]

USSR-CUBA: The Soviets on 7 June concluded their sixth naval call to Cuba with the departure of the visiting submarine tender. The ship is now some 500 miles northeast of Puerto Rico and appears headed for Northern Fleet waters. An E-II class cruise missile nuclear submarine that was in Antilla with the tender left Cuba on 4 June and has not been seen since then, although it could be accompanying the tender on the homeward voyage. In addition, the Soviet rescue tug that has been in Cuban waters since last September is now returning to Cienfuegos after joining the submarine and the tender during their visit to Antilla.

[REDACTED]

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BURUNDI - COMMUNIST CHINA: The two countries appear to be moving closer to a renewal of diplomatic relations, which were suspended by Burundi in 1965.

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[REDACTED] Burundi's foreign minister is a strong Peking supporter who stage-managed informal contacts with Chinese officials in Tanzania earlier this year. President Micombero has remained silent on the matter, thus presumably giving it tacit approval. [REDACTED]

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SOUTH-WEST AFRICA: Mining officials have announced a \$126-million project to begin open-pit mining of uranium from a huge deposit at Rossing, 60 miles northeast of Walvis Bay. Projected annual output of 3,000 to 5,000 tons of uranium concentrate will place South-West Africa among the top four free world producers and will increase the value of its exports by as much as one third. Reserves at the deposit have been estimated in the range of 150,000 to 400,000 tons of concentrate; by comparison, known reserves in the US last year were 204,000 tons. Financing is being provided primarily by the South African Government - owned Industrial Finance Corporation, but private corporations from South Africa and the UK also are participating. [REDACTED]

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